BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Wisconsin Public Service Corporation for Authority to Adjust Electric and Natural Gas Rates	Docket No. 6690-UR-117

REBUTTAL TESTIMONY OF GEORGE R. EDGAR
ON BEHALF OF THE CITIZENS UTILITY BOARD
September 22, 2005

Q. Are you the same George R. Edgar who presented direct testimony in this docket?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. I have been asked by CUB to provide rebuttal testimony concerning Commission Staff witness Ferris' direct testimony concerning the amortization period for the return to customers of the non-qualified decommissioning fund as a result of the recent Kewaunee Nuclear facility sale.

Q. Please comment on Commission Staff witness Ferris' discussion regarding the amortization period for the return of WPSC's share of the KNPP non-qualified decommissioning fund.

A. Mr. Ferris uses an amortization period of 8 years or until the end of the current purchase power contract with Dominion Energy Kewaunee (DEK) in 2013 in making his adjustment to WPSC's proposed revenue requirement request. However, in his testimony, he also discusses the use of a 5-year amortization period as proposed by

WPSC. (Ferris Direct Testimony at p. 4, and p. 13) I do not agree that the use of a 5- or 8-year amortization period for the refund of the non-qualified decommissioning fund would be appropriate for three primary reasons.

Q. Please explain.

A. First, the funds in question were collected from WPSC customers for a single utility purpose: providing funds for decommissioning KNPP. The approval of the sale of KNPP by WPSC to DEK removes any justification for WPSC to retain these funds or to delay their immediate return to customers. These are not utility funds for which to find other potential uses, but funds supplied by WPSC customers for a specific purpose that no longer exists. These customer funds should be returned to customers immediately now that the sale has consummated, especially in light of the increasing rate impacts that WPSC customers have experienced over the last number of years (in part from having to pay to accumulate these very funds).

Second, in addition to the immediate rate relief that the return of these funds would provide, the immediate return of these funds is also the most likely means to ensure intergenerational equity (i.e., the funds to the extent possible are returned to the customers who paid them). The more time that elapses before these funds are returned, the more unlikely that this fundamental equitable principle will be attained to the extent that it should.

Third, Mr. Ferris in his discussion of the allocation of this fund among various jurisdictions notes that the return of the non-qualified decommissioning fund is "fundamentally different" from the recovery of deferred costs in that these latter costs will benefit future periods while the non-qualified decommissioning funds involve a refund of money previously collected from ratepayers. (Direct Testimony at p. 14, ll. 3-9) This basic difference supports amortizing recovery of the deferred costs over 5 years, while returning the non-qualified funds sooner. There is no compelling basis to have to "net" these two different amortizations (one a recovery of deferred costs and one a refund of already collected funds) over the same period since the justifications for each are quite distinct and, indeed, justify different amortization periods.

I recommend that all of the WPSC share of the KNPP non-qualified decommissioning fund be returned to customers over the next two years following the issuance of an order in this case. A two-year amortization period would be consistent with the Commission's decision in the recent Wisconsin Power and Light Company (WP&L) rate case, docket 6680-UR-114, where the Commission ordered that WP&L's non-qualified decommissioning fund be amortized over a two-year period. (Final Decision mailed July 19, 2005, Docket 6680-UR-114, Findings of Fact 26, p. 6) An amortization period longer than two years for WPSC customers should not be authorized since it would not treat similarly situated customers in a consistent manner.

Q. Does this complete your rebuttal testimony?

A. Yes.